

# GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

## Legislative Fiscal Note

**BILL NUMBER:** House Bill 860 (First Edition)

**SHORT TITLE:** Limit Soldiers' CC Tuition.

**SPONSOR(S):** Representatives Hanes, Horn, Holloway, and Glazier

<b>FISCAL IMPACT</b> (\$ in millions)					
<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b> <input type="checkbox"/> <b>No Estimate Available</b>					
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
<b>State Impact</b>					
General Fund Revenues:	(\$0.1) to \$2.5				
General Fund Expenditures:	\$0.0 to \$1.8				
Special Fund Revenues:	to	to	to	to	to
Special Fund Expenditures:	to	to	to	to	to
State Positions:	to	to	to	to	to
<b>NET STATE IMPACT</b>	<b>(\$0.1) to \$0.7</b>				
<b>Local Impact</b>					
Revenues:	to	to	to	to	to
Expenditures:	to	to	to	to	to
<b>NET LOCAL IMPACT</b>	<b>\$0.0 to \$0.0</b>				
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> NC Community College System					
<b>EFFECTIVE DATE:</b> July 1, 2015					
<b>TECHNICAL CONSIDERATIONS:</b> None					

**BILL SUMMARY:**

House Bill 807 would waive the cost difference between the out-of-state tuition rate at North Carolina community colleges and the amount of tuition assistance available from the Department of Defense for active duty members of the Armed Forces. This waiver would only apply to active duty members of the Armed Forces who previously had been enrolled in a degree or other program at a community college at the time of deployment or reassignment and who reenroll in the same program within 18 months of deployment or reassignment.

**ASSUMPTIONS AND METHODOLOGY:**

Under current law, any active duty member of the Armed Forces who qualifies for admission to the University of North Carolina System or the NC Community College System (NCCCS), but

who does not qualify as a resident for in-state tuition purposes, is eligible to be charged the in-state tuition rate while stationed in North Carolina. If the member is reassigned outside of the State, the member remains eligible for in-state tuition as long as the member is continuously enrolled in the degree or other program.

The bill adds a new subsection to G.S. 116-143.3, the statute governing tuition of Armed Forces personnel and their dependents, providing that if the out-of-state tuition rate for a community college exceeds the amount of federal tuition assistance available for active duty members of the Armed Forces, the cost difference will be waived if the active duty member:

1. Was enrolled in a degree or other program and receiving in-State tuition at the time of deployment or reassignment,
2. Was not able to remain continuously enrolled in the degree or other program at the community college due to deployment or reassignment,
3. Reenrolls in the same degree or other program within 18 months of deployment or reassignment, and
4. Does not otherwise qualify for the in-State tuition rate.

The bill also provides that the amount of tuition charged to an active duty member of the Armed Forces eligible to receive this waiver must not be lower than the in-state tuition rate.

### **Tuition**

Currently, the Department of Defense tuition assistance pays up to \$250 per credit hour. The current NCCCS out-of-state curriculum tuition rate is \$264 per credit hour. Thus, the maximum amount of tuition waived per credit hour is \$14. It is important to note that should either of these rates change, the fiscal impact of this bill would change as well.

### **Eligible Population**

NCCCS tracks the number of credit hours taken by students receiving in-state tuition pursuant to G.S. 116-143.3, but does not separately track the number of military students stationed *outside* of North Carolina who are still charged in-state tuition. This analysis relies on an estimate of the total number of credit hours taken by students stationed outside of NC that was previously provided by NCCCS as there was not sufficient time to acquire updated data for this analysis.

NCCCS reported the total number of credit hours taken by nonresident members of the military in distance education courses that require no face-to-face contact. While this likely also includes military service members stationed in NC, it is the closest approximation to the bill's eligible population. These students were enrolled in 10,067 credit hours in the 2012 calendar year. To determine the cost range, this analysis assumes that every student enrolled in 2012 would experience a break in enrollment due to the factors in the bill and would re-enroll in the same community college at the same credit-hour level.

## Maximum Cost

The State would experience the maximum cost possible under this bill if every student would have re-enrolled at the \$264 per credit hour rate and instead pays the \$250 per credit hour rate. For each credit hour in which a student would have re-enrolled at the full nonresident tuition rate of \$264 per credit hour, but would now instead pay \$250 per credit hour, the State will lose \$14 in revenue (\$264-\$250).

Therefore, the maximum cost to the State of this bill is \$14 times the expected maximum number of credit hours enrolled (10,067) or \$140,938 in lost General Fund revenue.

## Minimum Cost

The State would experience the minimum cost (a net revenue gain) if no students would have re-enrolled at the \$264 per credit hour rate, but all re-enroll at the \$250 per credit hour rate. Under this scenario, the State would receive a net General Fund increase equal to the difference between the Department of Defense tuition assistance rate per credit hour (\$250) and the total State funding per credit hour to community colleges.

To estimate the minimum cost, this analysis assumes that all students would enroll in Tier 1A courses (which have the largest difference between cost and tuition)<sup>1</sup>. For FY 2014-15, the per capita costs for Tier 1A budget full-time equivalent (FTE) is \$5,869.62. Per the State Board of Community Colleges Code, one curriculum full-time equivalent (FTE) is equal to 512 student membership hours per year. For a typical course, 16 student membership hours of class work equals one credit hour, and therefore 1 FTE equals 32 credit hours<sup>2</sup>. Assuming this, the cost to the State per credit hour for Tier 1A courses is \$183.43 per credit hour (\$5,869.62 per FTE/32 credit hours).

For each person that would not have re-enrolled in the NCCCS without the waiver, General Fund revenue increases by \$250/credit hour and General Fund expenditures increase by \$183.43 per credit hour, for a net General Fund increase of \$66.57 per credit hour (\$250-\$183.43 per credit hour for Tier 1A). Therefore, the minimum cost (or maximum net *increase* to the General Fund) of this bill is a net gain of \$670,160 to the General Fund, as shown below.

Additional General Fund Tuition Revenue: (10,067 x \$250)	\$2,516,750
Additional General Fund Expenditures: (10,067 x \$183.43)	\$1,846,590
Net General Fund Impact	\$670,160

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<sup>1</sup> Curriculum courses are funded at three levels, Tier 1A, Tier 1B, and Tier 2. Tier 1A courses include health care and technical education courses linked to certain priority occupations. Tier 1B courses include other high-cost areas of health care, technical education, lab-based science, and college-level mathematics. Tier 2 includes all other curriculum courses.

<sup>2</sup> It is important to note that other types of coursework – for example, laboratory work or clinical practice – have a different hours-to-FTE ratio. Because this analysis is examining only distance education courses, it assumes that 1 FTE is equal to 32 credit hours per year.

**SOURCES OF DATA:**

NC Community College System

Federal Register, 79 FR 27732, Document Number 2014-11044, Thursday, May 15, 2014

**TECHNICAL CONSIDERATIONS:** None

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**DATE:** April 27, 2015



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